USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/27/2006

GAIN Report Number: BR6601

Brazil

Livestock and Products

Semi-Annual Livestock Report

2006

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Report Highlights:
The outlook for beef and pork in 2006 is uncertain due to current restrictions on Brazilian exports of these products by 51 countries, principally from the European Union and Russia. Post forecasts a small increase in beef production due to firm domestic demand and improvements in genetics and pasture conditions, but a drop in beef exports due to trade restrictions. The outlook for pork is more negative with a drop in both production and exports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Brasilia [BR1]
[BR]

Table of Contents

Executive Summary

Brazilian cattle and beef production is forecast to continue to expand in 2006 despite the impact of the outbreak of Foot-and-Mouth Disease (FMD) in early October of last year. The increase in beef production is due mostly to higher cow slaughter and firm domestic demand. Trade analysts expect that projected higher economic growth combined with higher consumer purchasing power will likely maintain domestic demand firm for beef. However, beef exports are estimated to decline by 10 percent from the record exports of last year due to the current partial bans from 51 countries, but mostly from the European Union and Russia, which account for nearly half of Brazil's beef exports. Post does not project a major drop in beef exports because most countries have reduced their trade restrictions for beef and confined their bans to two Brazilian states only. In addition, Brazil has a diversified export market with beef exports to over 150 countries.

Contrary to beef, pork production is forecast to decline by 3.2 percent in 2006, while exports should decline as much as 20 percent, mostly due to lower exports to Russia. Brazilian pork exports to the Russian market are high representing nearly 67 percent of total exports. Russian officials have extended the ban to other states in Brazil, and as of January 30, 2006 have not reduced their restrictions.

Note: Post forecasts for beef and pork production and trade in 2006 reflect current trade restrictions and bans. As of January 30, 2006 there are partial restrictions on Brazilian beef and pork from 51 countries, but the most important are those from the European Union (3 states) and Russia (8 states). These two markets together account for nearly half of Brazil's beef exports and nearly 70 percent of Brazil's pork exports.

Commodity Outlook, Cattle and Beef

Production

The calf crop is estimated to grow at five percent in 2006 reflecting higher yields obtained by Brazilian cattle producers due to improvements in animal genetics and pasture conditions. Although cattle producers in general complain about lower cattle prices in 2005, trade sources have confirmed an increase in animal genetics and loans for pasture improvements. In addition, the use of partnership between packers and cattle producers has increased significantly in the past two years. Under this partnership, cattle producers supply high standard quality animals, and beef cuts are normally supplied to upscale restaurants and barbecue places in Brazil, and for select export markets.

Post estimates beef production in 2006 at 8.8 million metric tons, up 2.5 percent from last year. The following factors support our revised estimate: a) firm domestic demand for beef is likely to continue strong due to higher consumer purchasing power, the fact that 2006 is a major election year in Brazil and additional funds from the federal budget will be released to support social programs to fight hunger and improve nutrition levels of the poor, and because supermarket sales promotions have spurred beef consumption due to lower prices and beef diverted from the export market; b) Improved pasture conditions due to higher rainfall and higher funds for the National Pasture Improvement Program; c) likely small improvement in profit margins to cattle breeders; and, d) continued market promotion efforts in non-traditional markets will help off-set a drop in beef exports to major markets.

Post also revised production and trade data for 2005 to include final export data. Beef production increased by nearly 8 percent last year, slightly higher than our initial forecast. The major forces driving an increase in beef production in 2005 was the booming export market and a surprising increase in domestic consumption.

Cattle breeders complained that their costs of production increased by over 10 percent in 2005, while the average price paid for cattle remained about the same. In 2005, cattle breeders began a public campaign in the National Congress against growing industry concentration among the beef packers arguing that profits do not reflect the boom in beef exports in recent years. However, they joined meat packers in complaining against the Government's tight monetary policy that kept the domestic prime interest rate at a high level (18 percent) throughout most of the year and against its exchange rate policy, which supported the appreciation of the Brazilian currency. Although government policy was an important factor, it did not impact on last years beef exports, which broke another record.

Trade

Post projects beef exports to decline by over 7 percent in 2006, against an increase of nearly 20 percent last year. Most of the decline in exports can be attributed to the restrictions imposed by the European Union and Russia during the first quarter of this year. These two important markets account for nearly half of Brazil's beef exports. Currently, the European Union maintains its ban on products from three states: Mato Grosso do Sul, Parana, and Sao Paulo. An official inspection team from the European Union is currently visiting Brazil to assess Brazilian control over the outbreak, including laboratory support. The meeting between Brazilian and Russian animal health officials this month in Moscow did not produce concrete results regarding the lifting of the ban for other states than mentioned. Trade sources believe that the extended Russian ban on other states will be in place until early April 2006.

Review of 2005. Brazilian beef exports reached another record in 2005 despite the outbreak of FMD in early October. The total volume exported increased by nearly 15 percent in volume (1.943 million metric tons versus 1.693 million metric tons in 2004 – CWE equivalent) and 22 percent increase in value (US$ 2.9 billion, versus US$ 2.4 billion in 2004. The average export price increased by 6 percent from US$ 2.197 billion in 2004 to US$ 2.328 billion last year.

Brazilian exporters also increased the number of markets for their products to 150 countries in 2005, up from 143 in 2004. In 2005, they diversified their product mix, although frozen boneless beef still holds the largest share of exports – about 66 percent. Other cuts such as forequarters also increased, mostly to the Middle East and Eastern Europe. In 2005, Brazil also increased exports of processed beef, mostly corned beef, by 4 percent, despite the drop of nearly 7 percent in exports to the United States. In 2005, FSIS delisted Brazil from exporting processed beef to the United States due to deficiencies in its meat inspection system and laboratories. The ban was in place for 45 days. The United Kingdom and the United States account for 68 percent of all processed beef exports from Brazil.

The European Union remains as the main export market for all Brazilian beef (fresh/frozen and processed). However, the European Union share of total Brazilian exports dropped from 26 percent in 2004 to 25 percent in 2005. Russia increased its imports of Brazilian beef from 14 percent in 2004 to 23 percent in 2005. Despite previous bans, beef exports to Russia increased by 90 percent in volume in 2005 and reached an-all time record of nearly 295 million metric tons. The third largest market for Brazilian beef is Egypt (imports were up by 31 percent in 2005), followed by Chile (imports dropped by 36 percent in 2005).

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 percent factor for conversion of processed beef into Carcass Weight Equivalent (CWE), while post uses 1.79. The same applies for boneless beef, as Post uses 1.42 as the conversion factor, while Brazilian trade sources use 1.36.

Policy

As of January 27, 2006, more than 51 countries still maintain partial bans on Brazilian beef exports due to last year's outbreak of FMD in Mato Grosso do Sul and later in Parana. The issue of recognizing FMD in Parana uncovered a major problem regarding the weakness and credibility of Brazil's animal health and inspection service. Early in 2005, USDA's Food Safety and Inspection Service found major deficiencies in Brazil's meat inspection system and laboratory support, which led the Brazilian government to voluntarily, suspend exports of processed beef to the United States.

The European Union, although more concerned with Brazil's traceability program (which has been changed several times to meet European Union requirements) is also concerned with the way animal health officials in Brazil enforce the law, principally at the critical borders with Paraguay and Bolivia. The Russian government also pointed that the Brazilian veterinarian services are not able to guarantee the well being of their animals regarding FMD. Russia was unsatisfied with Brazil's plan to eradicate FMD and emphasized that the Brazilian government should restore credibility of its veterinary service.

Commodity Outlook, Hogs and Pork

Production

Pork production is expected to decline by 3.2 percent to 2.7 million metric tons in 2006, lower than our previous estimate made in the annual report. The decline in pork production is mostly attributed to lower expected exports to Russia. However, foreign and Brazilian companies estimate production to increase in the Center-West region of Brazil as a result of maturing investments. Most of this production increase from the Center-West will be absorbed by domestic demand, which is likely to be firm in 2006 due to lower consumer prices. Post also revised pork production in 2005 to show an increase higher than initially estimated due to higher exports and firm consumer demand.

Trade

Post estimates pork exports to decline by 20 percent in 2006 because the Russian market remains closed to Brazil. Trade sources, however, believe that the Russian market will be reopen for Brazilian pork as of early April, although the states of Matro Grosso do Sul and Parana will remain closed.

Review of 2005. Brazilian pork exports in 2005 increased by 22.4 in volume (761 thousand metric tons versus 621 thousands metric tons - CWE in 2004) and 50.5 percent in value (US$ 1.1 billion, versus US$ 753 million in 2004). The average export price increased nearly 60 percent from US$ 1,210.95 to US$ 1,934.62 per metric ton, compared to the same period in 2004.

In 2005, Brazilian pork exporters increased their shipments of pork cuts, which now account for over 75 percent of all pork exports. The balance consists of pork carcasses. The increase in pork cuts reflects the strategy of Brazilian exporters to increase profitability by exporting higher value products. In 2005, there was a decline in the number of markets for Brazilian pork from 75 in 2004 to 70 markets in 2005.

Russia remains as the main market for Brazilian pork exports. Russian market share of Brazilian pork imports increased from 57.8 percent in 2004 to 66.6 percent in 2005. Hong Kong is the second largest Brazilian market for pork exports with a 8 percent market share, followed by Ukraine, which is now the third largest market for Brazilian pork exports.

Tables

PSD Animal Numbers, Cattle

PSD Table Country Brazil Commodity Animal Numbers, Cattle (1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Total Cattle Beg. Stks	165492	165492	169567	169567	174401	173816	(1000 HEAD)
Dairy Cows Beg. Stks	33098	33098	33913	33913	34734	34763	(1000 HEAD)
Beef Cows Beg. Stocks	46338	46338	47749	47749	48628	48668	(1000 HEAD)
Production (Calf Crop)	46234	46234	47648	48327	49149	50928	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	1	0	1	1	1	1	(1000 HEAD)
TOTAL Imports	1	0	1	1	1	1	(1000 HEAD)
TOTAL SUPPLY	211727	211726	217216	217895	223551	224745	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	16	16	45	130	75	150	(1000 HEAD)
TOTAL Exports	16	16	45	130	75	150	(1000 HEAD)
Cow Slaughter	12800	12800	13900	14715	15290	16405	(1000 HEAD)
Calf Slaughter	900	900	900	900	900	900	(1000 HEAD)
Other Slaughter	23255	23255	23451	23815	23063	22,795	(1000 HEAD)
Total Slaughter	36955	36955	38251	39430	39253	40100	(1000 HEAD)
Loss	5189	5188	4519	4519	4185	4185	(1000 HEAD)
Ending Inventories	169567	169567	174401	173816	180038	180310	(1000 HEAD)
TOTAL DISTRIBUTION	211727	211726	217216	217895	223551	224745	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Beef and Veal

PSD Table Country Brazil Commodity Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	36955	36955	38251	39430	39253	40100	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	7975	7975	8355	8592	8560	8810	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	53	53	45	51	40	25	(1000 MT CWE)
TOTAL Imports	53	53	45	51	40	35	(1000 MT CWE)
TOTAL SUPPLY	8028	8028	8400	8643	8600	8835	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	1628	1628	1800	1943	1800	1750	(1000 MT CWE)
TOTAL Exports	1628	1628	1800	1943	1800	1750	(1000 MT CWE)
Human Dom. Consumption	6400	6400	6600	6700	6800	7035	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	6400	6400	6600	6700	6800	7035	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	8028	8028	8400	8643	8600	8835	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	89	100	100	93	0	110	(1000 MT CWE)

Export Trade Matrix, Beef, Jan-Dec 2005

Export Trade Matrix Country Brazil Commodity Meat, Beef and Veal Time Period Jan-Dec Units: Metric Tons			
Exports for:	2004		2005
U.S.	55,602	U.S.	51,748
Others		Others	
Algeria	38,809		42,075
Bulgaria	20,625		44,497
Chile	105,001		67,021
Egypt	114,277		149,066
European Union	288,130		313,111
Hong Kong	23,334		22,469
Israel	23,377		22,467
Russia	154,463		294,665
Saudi Arabia	42,565		28,901
Ukraine	1,216		20,113
Total for Others	811797		1,004,385
Others not Listed	233391		211220
Grand Total	1100790		1267353

PSD Animal Numbers, Swine

PSD Table Country Brazil Commodity Animal Numbers, Swine (1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
TOTAL Beginning Stocks	32081	32081	32323	32323	32938	32938	(1000 HEAD)
Sow Beginning Stocks	3005	3005	3020	3020	3075	3030	(1000 HEAD)
Production (Pig Crop)	30015	30015	31200	32295	32250	31257	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	62096	62096	63523	64618	65188	64034	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	1	0	1	1	1	0	(1000 HEAD)
TOTAL Exports	1	0	1	1	1	0	(1000 HEAD)
Sow Slaughter	200	200	200	200	200	200	(1000 HEAD)
OTHER SLAUGHTER	28373	28373	29400	30229	30500	29265	(1000 HEAD)
Total Slaughter	28573	28573	29600	30429	30700	29465	(1000 HEAD)
Loss	1199	1200	984	1250	949	1583	(1000 HEAD)
Ending Inventories	32323	32323	32938	32938	33538	33147	(1000 HEAD)
TOTAL DISTRIBUTION	62096	62096	63523	64618	65188	64034	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Pork

PSD Table Country Brazil Commodity Meat, Swine (1000 MT CWE)(1000 HEAD)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	28573	28573	29600	30429	30700	29465	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	2600	2600	2730	2800	2825	2710	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL SUPPLY	2600	2600	2730	2800	2825	2710	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	621	621	745	761	725	610	(1000 MT CWE)
TOTAL Exports	621	621	745	761	725	610	(1000 MT CWE)
Human Dom. Consumption	1979	1979	1985	2039	2100	2120	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	1979	1979	1985	2039	2100	2100	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	2600	2600	2730	2800	2825	2710	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Export Trade Matrix, Pork, Jan-Dec 2005.

Export Trade Matrix Country Brazil Commodity Meat, Swine Time Period Jan-Dec Units: Metric Tons			
Exports for:	2004		2005
U.S.	0	U.S.	0
Others		Others	
Argentina	22,459		14,275
European Union	22,378		8,427
Hong Kong	50,545		48,075
Russia	276,239		389,796
Singapore	15,656		16,537
South Africa	12,234		17,707
Ukraine	32,290		21,917
Total for Others	431801		516,734
Others not Listed	46526		68,723
Grand Total	478327		585457